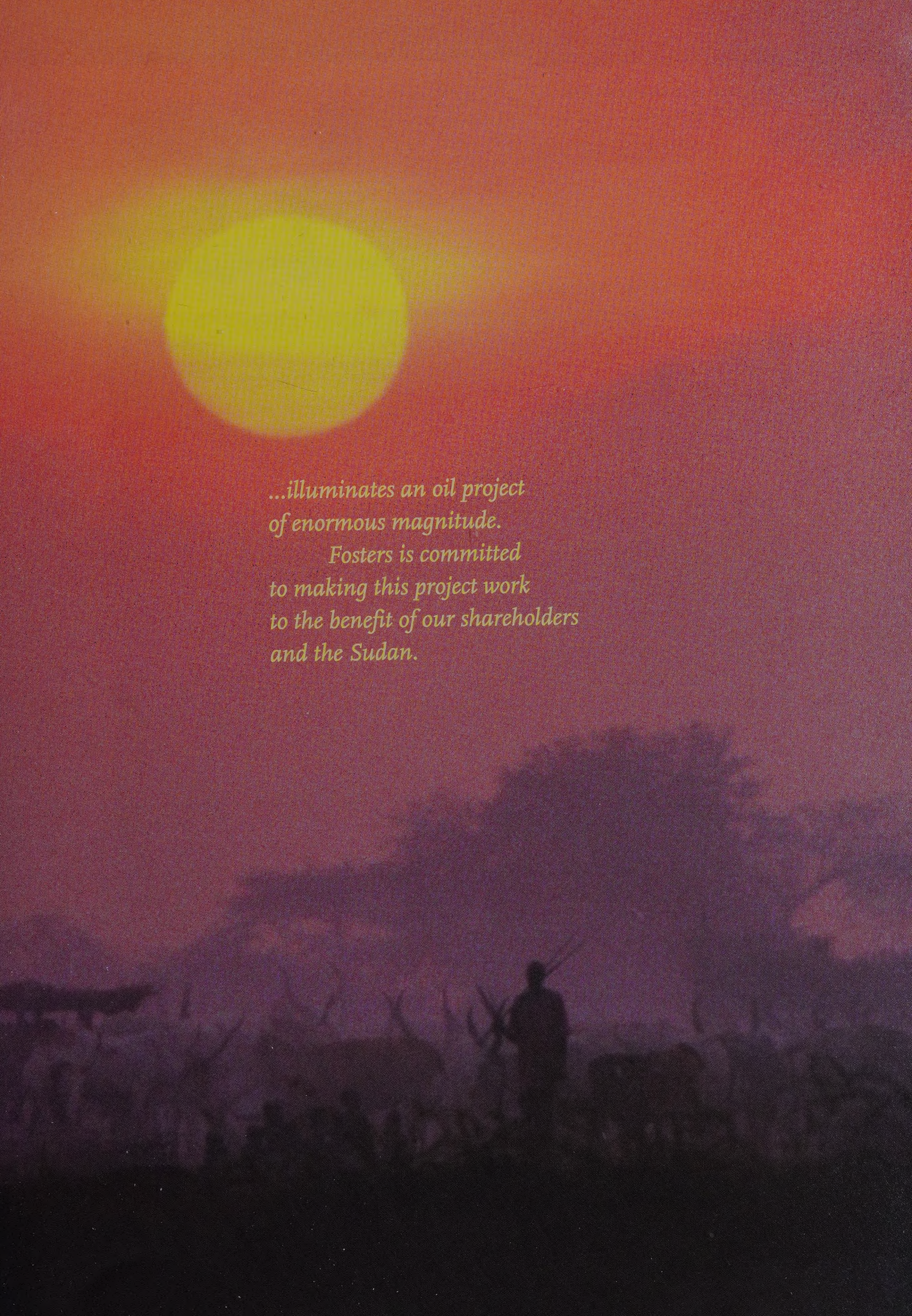
The sun's light
over the Sudan...

FOSTERS
RESOURCES LTD.

1999 ANNUAL REPORT

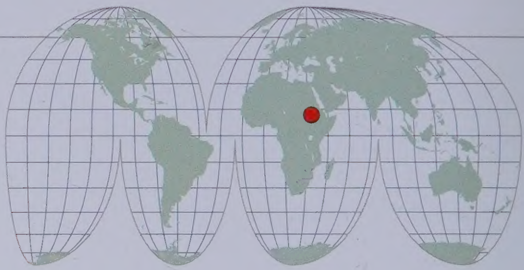
ANNUAL MEETING THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF FOSTERS RESOURCES LTD. WILL BE HELD ON JUNE 16, 2000 AT 10:00 A.M. IN THE BONAVISTA ROOM OF THE WESTIN HOTEL, AT 320-4TH AVENUE S.W., CALGARY, ALBERTA. ALL SHAREHOLDERS ARE INVITED TO ATTEND. THOSE WHO ARE UNABLE TO ATTEND ARE REQUESTED TO COMPLETE AND RETURN THEIR PROXIES TO CIBC MELLON TRUST COMPANY AT THEIR EARLIEST CONVENIENCE.

CORPORATE PROFILE FOSTERS WAS INCORPORATED IN 1993 AS A DIAMOND EXPLORATION COMPANY WITH EXPLORATION EFFORTS FOCUSED ON RAWALIPINI LAKE IN THE NORTHWEST TERRITORIES WHERE IT CONTINUES TO OWN CERTAIN CLAIMS. IN 1997, FOSTERS BEGAN EVALUATING A GOLD CLAIM IT HOLDS AT DEVIL PIKE IN NEW BRUNSWICK. FOSTERS CEASED FURTHER ASSESSMENT OF THE CLAIM WHEN THE PRICE OF GOLD WAS CONSIDERED TOO LOW. FOSTERS WAS RESTRUCTURED ON JUNE 16, 1999 WHEN IT WAS RECAPITALIZED AND A NEW MANAGEMENT TEAM AND BOARD OF DIRECTORS WERE INSTALLED. THE RESTRUCTURING TRANSFORMED FOSTERS FROM A MINERAL EXPLORATION COMPANY TO AN INTERNATIONAL OIL EXPLORATION COMPANY. FOSTERS' ACTIVITIES AND RESOURCES ARE NOW EXCLUSIVELY FOCUSED ON ITS AFFILIATE, MELUT PETROLEUM, WHICH IS EXPLORING AND DEVELOPING A CONCESSION IN SUDAN.



...illuminates an oil project
of enormous magnitude.
Fosters is committed
to making this project work
to the benefit of our shareholders
and the Sudan.

REPORT TO SHAREHOLDERS



NINETEEN NINETY-NINE MAY PROVE IN THE YEARS AHEAD TO BE AN HISTORIC PERIOD IN THE TRANSFORMATION OF FOSTERS RESOURCES LTD. FROM A MINERAL EXPLORER TO AN INTERNATIONAL OIL EXPLORATION COMPANY WITH A UNIQUE OIL EXPLORATION AND DEVELOPMENT PROJECT LOCATED IN SUDAN. FOR THOSE MEMBERS OF THE MANAGEMENT TEAM, LIKE MYSELF, WHO HAVE BEEN INVOLVED IN THE CANADIAN OIL INDUSTRY FOR MORE THAN TWO DECADES, THIS SUDANESE PROJECT PRESENTS A SUPERB CHALLENGE WITH ENORMOUS UPSIDE THAT WE ARE PREPARED TO COMMIT OUR COMBINED ENERGIES TO DEVELOPING.

BACKGROUND OF FOSTERS Fosters was incorporated on May 26, 1993 to explore for diamonds at Rawalipini Lake in the Northwest Territories and continues to own certain claims in the area. In 1997 Fosters began evaluating a gold claim at Devil Pike in New Brunswick, situated three kilometres north-west of Hatfield. While this claim is of limited value until the price of gold improves, it would represent an excellent opportunity for a small mining operator in the area because it is located close to roads and power. Fosters stopped further assessment of the claim when the price of gold dropped.

Fosters was restructured on June 16, 1999 when it was recapitalized and a new management team and Board of Directors were installed.

OVERVIEW OF SUDAN PROJECT On March 12, 2000 Fosters signed an agreement that will allow us to proceed with the exploration and development of a 72,421 square kilometre concession located in south-east Sudan. The Exploration and Production Sharing Agreement (EPSA) followed more than a year of negotiations with a number of key players, including the Government of The Republic of Sudan, Gulf Petroleum (Sudan) Ltd, Sudapet Ltd, the Sudanese National Oil Company, and our joint venture partners in the project. (Gulf Petroleum is a private company that is not related to companies with the same name in North America.) The remainder of this report outlines the details of the agreement and the scope of the project. Simply stated, however, the project represents a singular opportunity for Fosters and our shareholders.

The concession granted to Fosters and its partners covers the majority of the Melut Basin, one of several major troughs running from northwest to southeast through Sudan. The Basin has extensive seismic data coverage and only five wells drilled to date, which resulted in three oil wells and two dry holes. The combination of existing production and exploration potential will reduce exploration risk, provide early, modest cash flow and give Fosters production experience in the area. Prior to a full-scale commercial operation Fosters' 83.33 percent owned subsidiary, Melut Petroleum Company Ltd., will earn a 46 percent working interest in these wells in the 12-kilometre long Adar-Yale field, located in the Melut Basin. The three existing wells should represent production of more than 5,000 barrels per day from depths of approximately 4,000 feet, with additional drilling possibly taking total field capability to 10 to 15,000 barrels per day.

DIGITAL ELEVATION MODEL OF SUDAN

GNPOC Concession

Pipline

Oil Fields

Fosters will use portions of the existing infrastructure, roads, and facilities associated with these wells, as well as the field people and office associated with Gulf Sudan, to carry out our exploration and development. These activities will be accomplished with a staff of seasoned Canadian oil men, including some with extensive experience in Sudan, and others like myself, who have a history of oil exploration and development in Canada. Together, we have a demonstrated ability to operate projects of this magnitude.

The months leading up to the signing of the EPSA were extremely demanding. Now, Fosters enters a new phase of activity requiring even greater commitments of time and energy. In the short term, we will conclude numerous more basic housekeeping tasks including negotiating consulting contracts and joint operating agreements. At the same time, we plan to begin raising the financing necessary to fund the majority of the first drilling season. During the Canadian summer months, which comprise the rainy season in Sudan, we will complete our review of the seismic data. We anticipate commencing drilling at the end of the 2000 calendar year, the beginning of Sudan's dry season.

Our approach to exploration and development is very logical. The consortium earns 46 percent of the Adar-Yale field; however, the capital requirements for a pipeline require that we find at least one other field of similar size. Consequently, we will spend the first season exploring for one or more such fields. During the second season – the end of 2001, Melut would begin developing the discoveries, undertake additional exploration and perhaps even begin pipeline construction. The pipeline is expected to follow a route from our concession to near Khartoum where it would tie into the GNPOC pipeline, of which Talisman is a part-owner.

This project is large, and we are in the formative stages. Following is a summary of the main aspects of the project.

HISTORY OF SUDAN OIL DEVELOPMENT In 1974, a major United States-based oil company negotiated a concession covering the majority of the south-half of Sudan. Between 1974 and 1988 the company spent approximately $1 billion on exploration and infrastructure to conduct aeromagnetic and gravity surveys, shot approximately 60,000 kilometres of seismic and drilled approximately 86 wells, including 34 oil wells.

In 1989 the company sold its concession back to the Government and discontinued operations in the country. A portion of the concession in the Muglad Basin was leased to State Oil, which later became Arakis Energy. Arakis was subsequently acquired by Talisman.

Fosters' concession is located approximately 200 miles east of GNPOC's concession, which has already discovered appproximately 750 million barrels of reserves and is producing 160,000 barrels per day. Other companies with concessions in Sudan include International Petroleum Corporation, Chinese National Petroleum Company, and Total Petroleum.

The Melut Basin, which is located approximately 750 kilometres south of Khartoum, contains the Adar-Yale field, discovered in 1982, where wells tested in excess of 1,500 bbls per day each. This field was leased to Gulf Petroleum (Sudan) Ltd., which attempted to truck the oil to the Nile River, and barge it downstream to Khartoum for sale to the local market. However, it quickly became clear that additional exploration was required on the previously identified anomalies in order to improve the economics of the project and allow for full exploitation of the field. The higher production would support the construction of a pipeline to Khartoum and connection to existing facilities that would transport the oil to the world market. Based on this, Fosters began negotiations with Gulf for a share of the Melut project.

THE SUDAN COUNTRYSIDE

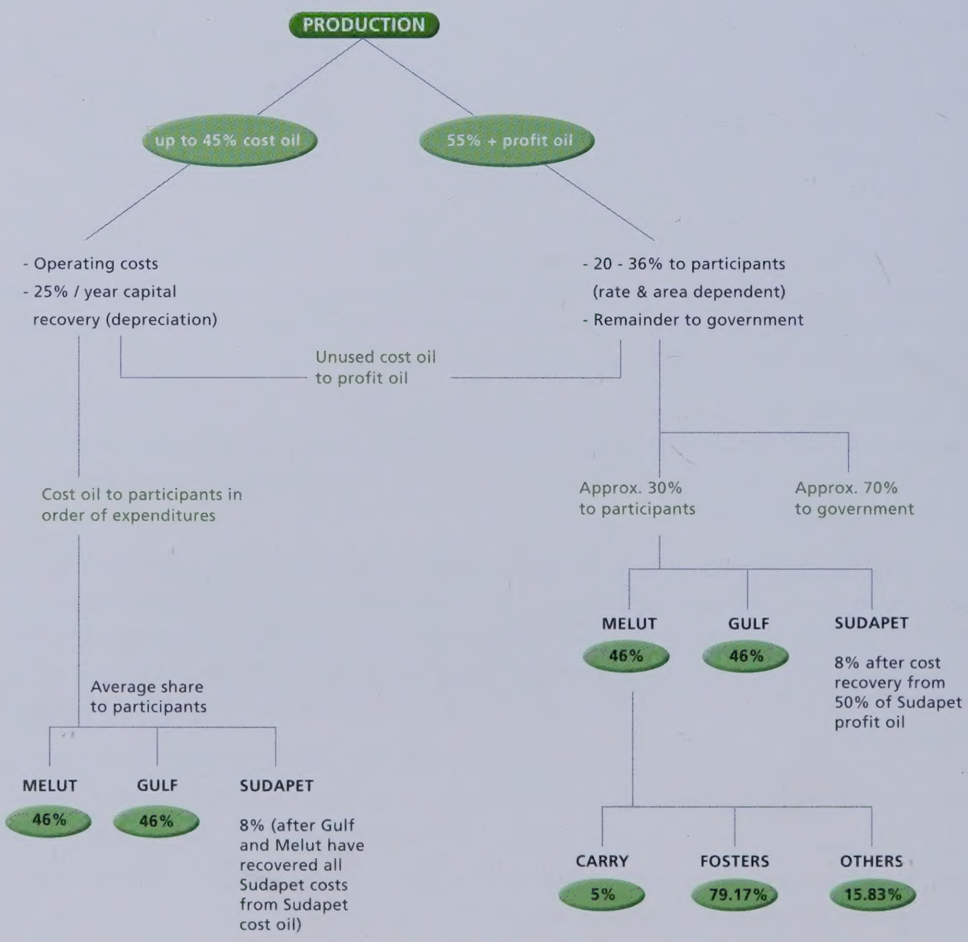
A WORLD-CLASS ASSET Today, Fosters owns 83.33 percent of Melut Petroleum Company Ltd., incorporated in the Barbados, which owns 46 percent of the Melut Basin concession. The remaining interest in the concession is shared between Gulf Petroleum (Sudan) Ltd. with 46 percent, and Sudapet Ltd. with 8 percent. Sudapet is the Sudanese national oil company.

The Adar Yale field was not part of the original exploration concession. However, Gulf had agreed to return the field to the new concession in return for Melut paying the first US$30 million of exploration expenses over a three year period. Melut would then own 46 percent of the field as well as any other reserves found during exploration.

At the same time, Fosters is obtaining a third-party engineering report on the three wells in the Adar Yale field. Since there are only three wells over the 12-kilometre long by 3-kilometre wide field, we do not expect that the report will recognize the majority of the reserves until exploitation is completed. We believe that the seismic data and well information indicates that the field may contain in excess of 40 million barrels of recoverable crude oil, however this would be confirmed by development drilling and production history.

EXPLORATION AND PRODUCTION SHARING AGREEMENT (EPSA) The EPSA dated March 12 between Melut, Gulf, Sudapet, (collectively described as the Contractor) and the Government of Sudan, is similar to other EPSA agreements signed by other operators in the country and encompasses an area of 72,421 square kilometres (approximately 300 miles by 100 miles).

The production ownership is outlined on the following page, but should be read in conjunction with the accompanying schematic.



Forty-five percent of the production revenue is set aside as cost oil, from which the contractor can recover operating costs and up to 25 percent per year of capital costs. The unused portion of cost oil is transferred to profit oil. Sudapet's exploration, operating and capital costs are paid by Gulf and Melut until the wells are placed on production. At that point, Sudapet will pay its proportionate share of costs. Melut and Gulf will recover funds spent on Sudapet's behalf from Sudapet's share of cost oil and 50 percent of its profit oil.

Profit oil is comprised of the remaining 55 percent plus any unused portion of cost oil. The Contractor will receive between 20 to 36 percent of the profit oil, with the remainder allocated to the Government. All taxes and royalties will be paid by the Government from its share of profit oil.

Less than five percent of Melut's share of profit oil will be paid to key individuals who worked with Fosters to prepare the initial concept for the concession, and to professionals who will be fulfilling key roles in the management of our operations in Sudan. Employees and directors of Fosters will not benefit from this payment.

Fosters originally entered the project with a 25 percent interest in Melut. However, in early 2000 the Company had an opportunity to consolidate the interests of other participants in the Melut Petroleum Company. Fosters increased its ownership of Melut to 83.33 percent, in return for 2.1 million shares of Fosters and reimbursements of some of the other participants' costs. This gives Fosters a considerably stronger position in Melut.

THE POLITICAL CLIMATE IN SUDAN There have been numerous media reports targeting Canadian and other international oil companies for their involvement in Sudan, using the argument that the additional oil revenues will support the Government's side of a very unfortunate civil war. I personally, as well as my colleagues in Fosters, have given considerable thought to our position, visiting Government officials, churches and individuals as well as touring neighboring facilities to our concession in order to ensure that our actions are not worsening the situation.

Although we do not represent the cause of either side in the civil war, we believe, and sincerely hope it is true, that the majority of the people in all groups in Sudan truly support peace. We believe that the majority want peace for themselves and for the good of the country.

Unquestionably, this is a complicated debate. However, we believe that the status quo has not resolved the situation. We hope that by carrying out our operations, and by training and employing Sudanese people of all denominations, we will in our small way be making a contribution to peace. There is no doubt that our job as a public company is to create value for our shareholders and we have a clear understanding of this. At the same time, we assure our readers and our shareholders that Fosters will conduct its operations in a fair and ethical manner.

Our tour of neighboring facilities showed Sudanese at work together, and medical facilities accessible by local people. We also observed that badly needed water is being supplied by Talisman and Fosters hopes to make a similar contribution in our area of operation.

We must be clear as well, that if Fosters was not involved in this project, there would be a number of other companies prepared to replace us, and the development would occur regardless. It is our firm belief that we can play a more effective and influential role with our presence in Sudan.

OUTLOOK The remainder of this annual report will outline the geology of the Melut Basin, our exploration strategy, and the Fosters' management team and Board of Directors who will drive this project forward. Having signed the EPSA, Fosters now has a unique and exciting opportunity to become a significant operator in the international arena. Indeed, the Company has prolific prospects to drill for many years to come. The work ahead will demand much time, hard work, financial resources and considerable good luck. However, I personally believe that our Sudan project has the capacity to generate tremendous value for our shareholders and a significant role in providing the Sudanese with a higher standard of living. While Fosters is small, each of us on the management team and the Board of Directors possess the drive and commitment to transform the geological potential into a reality.

On behalf of the Board of Directors,

RANDY PAWLIW, *President*
March 10, 2000

CORPORATE LEADERSHIP

A STRONG TEAM COMMITTED TO A LONG-TERM VISION The management team of Fosters is comprised of three senior professionals with diverse backgrounds in the oil and gas industry. They include:

RANDY PAWLIW, PRESIDENT: Mr. Pawliw is a Professional Engineer with 28 years of experience in the Canadian oil and gas industry, the majority of which was spent as President of Cimarron Petroleum Ltd. Mr. Pawliw co-founded Cimarron in 1978, and grew the production base to more than 9,000 barrels of oil equivalent per day before the company was taken over in 1997.

LES KISH, VICE-PRESIDENT EXPLORATION: Les Kish is a professional geologist with 30 years of experience in oil and gas exploration. Mr. Kish was with Cimarron Petroleum Ltd. for 15 years, and was Vice-President, Exploration at the time of its sale.

MICKEY ABOUGOUSH, MANAGING DIRECTOR: Mickey Abougoush is a Professional Engineer with 30 years of experience in oil and gas reservoir engineering. Mr. Abougoush is currently President of Teknica Petroleum Services Ltd., an international consulting firm providing services to companies, individuals, government agencies, and financial institutions.

To this point, no salaries have been provided to any of the Fosters' management.

PROJECT MANAGEMENT The Sudan project will be managed by a new operating company whose Chief Operating Officer is John McLeod, a Melut appointee. Mr. McLeod will report directly to the Board of Directors and will be responsible for recruiting the management of our Sudanese operations. Mr. McLeod is a professional engineer with 30 years of oil and gas experience. He and other members of his consulting team gained valuable insight into oil operations in Sudan during their management of Arakis Energy Corp. and State Petroleum Corp. which were acquired by Talisman Energy. Mr. McLeod's team have played an invaluable role during the negotiations that led to Fosters winning the Sudan concession, and will continue to contribute expertise and experience to the project through this management arrangement.

BOARD OF DIRECTORS In addition to Messrs. Kish, Pawliw and Abougoush, Fosters has three independent directors. They are:

MR. FRED LEWICKI has been a director of Fosters since May 1993. He is President and owner of Wilson Auto Electric Limited, which distributes auto parts worldwide.

MR. ROBERT MCBEAN became Director upon the signing of the EPSA in Sudan. Mr. McBean is Chairman of Boulder Energy International Inc. which owns oil and gas assets in the Middle East.He is also President of International Octane Limited, a partner in a petrochemical plant located in Qatar.

MR. JULES POSCENTE also became a Director upon the signing of the EPSA in Sudan. Mr. Poscente is Chairman of the Board and Chief Executive Officer of Eurogas Corporation, a Canadian company with oil and gas leases in Russia, Spain and Tunisia.

SUDAN: A COMPLEX CULTURE

NOTE: *The following information has been derived from various publications which have not been prepared or independently verified by the Company.*

Geographically, Sudan is the largest country in Africa and has a population of approximately 31.5 million people (1996 estimate), of which four to six million live in the largely rural southern region. The capital and largest city in Sudan is Khartoum, which has a population of approximately 2.5 million (1993 estimate).

Sudan's terrain is generally flat with mountains in the east and west, and the climate varies from arid desert in the north to tropical in the south. The rainy season typically lasts from April to October and floods most of the Concession area. As a result, elevated roads and drilling pads are required to sustain year-round activities. The Sudd swamp dissects the country geographically.

According to a 1998 U.S. Energy Information Administration report, approximately 70 percent of Sudan's population is Sunni Muslim (located principally in north Sudan), while indigenous beliefs comprise 25 percent of the population, and Christianity accounts for the remaining five percent (centred in Khartoum and in the south).

HISTORY Sudan achieved independence from Britain in 1956. Between 1956 and 1969 the country had seven coalition governments and a six year military regime partially characterized by inter-party rivalry and instability. This was followed in the 1970s with a period of stability. In 1989, military officers under Colonel Omar Al-Bashir replaced the government with the Revolutionary Command Counsel for National Salvation (RCC). General Bashir remains as head of state and was elected president in national elections in 1996.

Under the 1973 Constitution, Islamic law and custom are the main sources of legislation, but Article 9 specifies that the concerns of non-Muslims are governed by their personal laws. Article 16 safeguards freedom of religion for all, with equal protection for all religions. The Constitution was overlain with a form of Shar'ia Law (Islamic Law) which was introduced in September 1983.

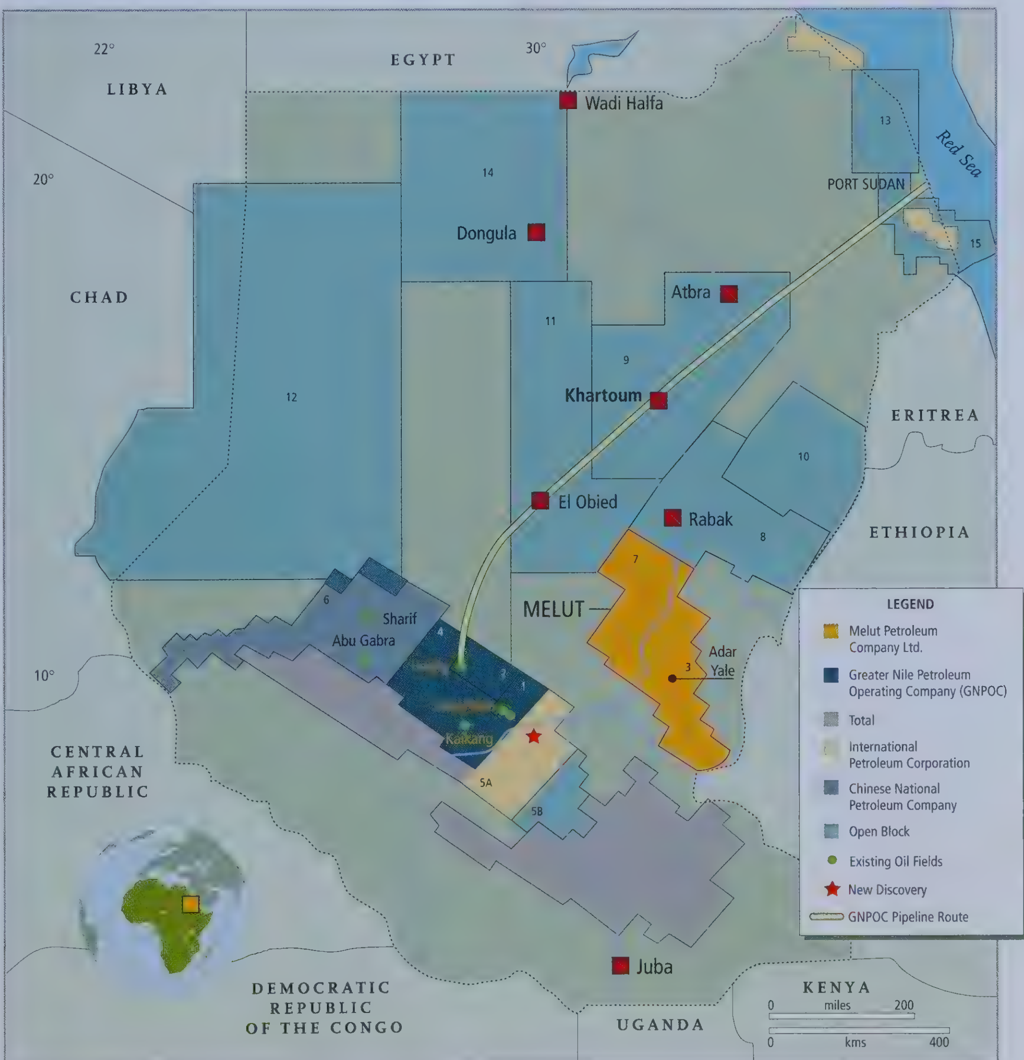
A combination of long standing inter-tribal rivalries, religious conflict, and the introduction of Shar'ia Law led to an outbreak of civil war in the early 1980s and the formation of the Sudanese People's Liberation Army (SPLA). The adverse effects of the civil war has been compounded by a number of factors, including the absence of roads and infrastructure within Sudan, the separation of north and south by swampy terrain and largely impassable roads during the rainy season, an economy dependant on agricultural exports as well as steep inflation. Peace-making efforts have continued between the Government in the north and various peoples in the south. In 1996 a peace agreement was signed with many tribes, particularly those tribes in the region around the Concession area, which specifies that a national referendum will be held within four years on the question of self-determination. Today, conflict continues within Sudan, centred around Juba in the south.

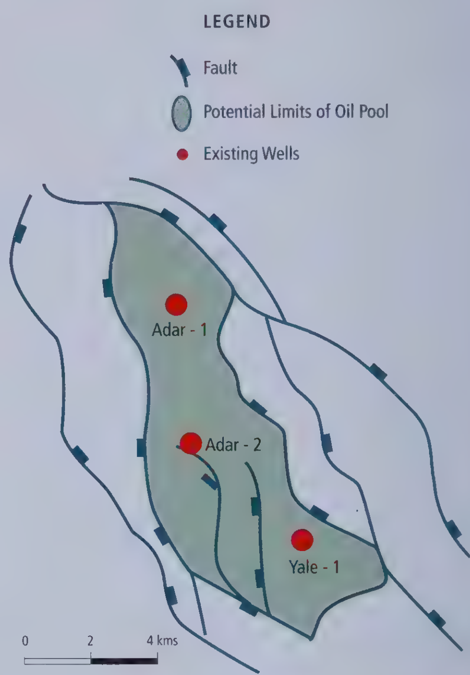
EXPLORATION REVIEW

THE GEOLOGY The interior of Sudan contains several rift or fault-bounded basins, including the Melut and Muglad Basins, which trend in a northwest to southeast direction. The Melut Basin is geologically similar in many aspects to the Muglad Basin which has a current production capability of 175,000 bbls of oil per day from several fields.

Like other Sudan rift basins, the Melut is a product of multiple phases of rifting that began during the Early Cretaceous period and ended during the Late Tertiary period. The deepest parts of the Melut Basin contain sediments that are up to an estimated 30,000 feet thick, comprised of non-marine clastic sequences. The depositional sequences include thick lacustrine shales (potential source rocks) and fluvial sandstones

CURRENT CONCESSION-HOLDERS IN SUDAN





ADAR-YALE STRUCTURE

and conglomerates (potential reservoir rocks). The extensional forces that formed these basins resulted in the creation of a wide variety of fault-bounded structures, many of which are capable of forming effective hydrocarbon traps.

The Adar-Yale Field, located in the central part of the Melut Basin, is trapped by a fault-bounded structure that is approximately 12 kilometres long. The reservoirs at Adar-Yale produce from Upper Cretaceous and Lower Tertiary-age sandstones at a depth of 4,000 feet. The productive sandstones exhibit excellent reservoir quality with porosities ranging up to 28 percent and permeabilities up to six darcys. These reservoir qualities translate into high productivity in the individual wells. The following summary indicates the initial production rates obtained from individual wells in the Adar-Yale field during production tests:

- 1. Adar One well: Three zones are capable of production. Two of the zones have a combined pumping rate of 2,100 bbls of oil per day while the third zone flowed naturally at a rate of 396 bbls of oil per day, resulting in a combined rate of 2,496 bbls of oil per day for the well.
- 2. Adar Two well: Two zones are capable of production. One zone was pumped at a rate of 1,000 bbls of oil per day, while the second zone was swabbed at a rate of 296 bbls of oil per day, resulting in a total combined rate of 1,296 bbls of oil per day for the well.
- 3. Yale One well: Three zones are capable of production. Two of the zones had a combined swab rate of 1,780 bbls of oil per day, while the third zone flowed naturally at a rate of 260 bbls of oil per day, resulting in a total combined rate of 2,040 bbls of oil per day for the well.

The various wells in the Adar-Yale field have produced oil intermittently since 1997. Production is intermittent because the oil is trucked to the Nile River and transported by barge to Khartoum, making deliveries vulnerable to adverse conditions created by the seasonal rainy periods. Nonetheless, the Adar-Yield field has a cumulative production of 275,000 bbls of oil. The produced oil is medium gravity (26 to 32 degrees API) and waxy, resulting in pour-point temperatures ranging from 70 to 100 degrees (Fahrenheit). These oil characteristics are similar to production from the Muglad Basin, suggesting that the Melut contains similar types of source rocks.

The Adar-Yale field, when fully developed, could support up to 15 producing wells with a field producing capability of 10,000 to 15,000 bbls of oil per day. However, we caution that this is an estimate based on limited information available at this early stage of development.

Although the development of Adar-Yale offers significant upside in itself, the exploration of the largely undrilled Melut Basin could potentially offer the biggest rewards. Seismic information collected to date suggests that the Melut Basin may hold several fields the size of Adar-Yale or larger, with ultimate recoverable reserves potentially ranging up to 300 million barrels of oil.


ADAR-YALE WELL

EXPLORATION STRATEGY In the year 2000, Fosters' exploration strategy will focus on finding sufficient reserves to support the construction of a pipeline from our concession to Khartoum where it would connect to the GNPOC pipeline. Given the capital cost of such a pipeline, economic feasibility depends on finding one more field the same size as Adar-Yale. Accordingly, our first priority will be to evaluate existing leads in the vicinity of Adar-Yale, including drilling Adar-Yale "look-alike" features. As pipeline threshold reserves are established, Fosters' exploration efforts will expand to include evaluation of deeper horizons within the Basin as well as different regions of the Basin. These would include the southern part of the Basin, which is believed to contain the thickest sediments, and the Ruat area to the north.

In efforts to achieve these goals, all aeromagnetic, gravity and seismic data will be analyzed during the upcoming rainy season from May to November 2000 in preparation for the drilling of four to five wells during the next dry season from December 2000 to May 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW From its inception in 1993, Fosters was focused on diamond exploration in the Northwest Territories and evaluation of a gold claim at Devil Pike in New Brunswick. In early 1999, Fosters began negotiations with various government agencies on a large oil concession in south-east Sudan. These negotiations led to the signing on March 12, 2000 of an Exploration and Production Sharing Agreement that allows Fosters to begin exploration and development of the 72,421 square kilometre concession covering the Melut Basin.

The Sudan concession comprises Fosters' major asset and the Company's exploration and development activities in the Sudan will require far more significant levels of capital expenditures and financing than in the past. Operations in the Sudan are expected to account for the majority of Fosters' revenues, but will depend on the construction of a pipeline from our concession to Khartoum. The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes. Fosters' fiscal year end is December 31, and comparisons in this discussion are on a fiscal year basis.

BALANCE SHEET ITEMS In 1999, working capital decreased to $127,078 from $148,627 in fiscal 1998. The decline occurred despite a $200,000 capital infusion during the year, as the majority of funds raised were spent on expenses and third-party costs in securing the concession in Sudan. Cash at year-end 1999 was $143,682, compared to $149,684 at year-end 1998.

STATEMENT OF LOSS AND DEFICIT In 1999, Fosters experienced increased office and administration costs, as the Company incurred additional office rent and associated expenses, as well as expenses related to the negotiations on the concession. Investor communications increased to $3,859 from $1,152 as printed materials were required for an additional shareholders' meeting, and for communicating the Sudan project to investors.

In 1999, the value of Fosters' gold claim in New Brunswick was reduced by $300,000 due to low world gold prices. Although we believe that gold prices will strengthen in future, which will be reflected in the value of the claim, it is the duty of the Audit Committee to assess the value of the claim under current conditions. Consequently, in the absence of a stronger price today, the Committee decided to write down the claim. The write down was the main reason for a year-end 1999 loss of $345,065 or $0.046 per share versus 1998's loss of $30,877 or $0.005 per share.

STATEMENT OF CASH FLOWS All increased uses of cash were attributable to negotiating the concession in Sudan.

2000 CAPITAL EXPENDITURES Fosters' 83.33 percent of Melut Petroleum Company Ltd. requires Fosters to spend US$31.25 million over a three year period, and to post its 83.33 percent share of Melut's US$4 million performance guarantee and US$1.27 million bonus and rental payments. In order to meet its obligation, Fosters is considering the following options:

- Add a 30 percent partner in Melut, which would reduce Fosters' share of Melut to 53.33 percent. We would hope that the incoming partner would be required to post the guarantee.
- Issue up to 20,000,000 shares from Foster's treasury, which would raise sufficient funds to carry out the expenditures required in the first year plus the first quarter of the following year. Fosters is currently finalizing capital budgets and plans, but we anticipate US$10 million to US$15 million (US$6 million to US$9 million) would carry the remaining 50 percent obligation in the first year.

LIQUIDITY AND CAPITAL RESOURCES In June 1999, as part of a restructuring and re-capitalization plan, Fosters issued two million shares to the new management group at the prevailing market price of $0.10 per share. Each share included a half-warrant, the full warrant entitling the holder to purchase an additional share for $0.15 for a subsequent two year period. Fosters raised $200,000 which was used for travel expenses and third-party consulting fees in securing the concession in Sudan.

At a special meeting of shareholders held in December 1999, Fosters received approval to issue up to 35 million shares and 17.5 million warrants from treasury. The Company is currently preparing the offering memorandum, and has retained Griffith McBurney and Partners as well as Stephen Avenue Securities, to secure the financing required. It is anticipated that 20 million shares with 10 million warrants would be issued if demand is sufficient. Considerable interest has been expressed by existing and potential new shareholders (including management), and it is hoped that this will be completed by the end of March 2000.

USE OF PROCEEDS FROM OFFERING MEMORANDUM Fosters will use 100 percent of the net proceeds from the sale of the Special Warrants to finance its 83.33 percent share of Melut Petroleum Company's bank guarantee, estimated at US$3.3 million, and the payment of the signing bonus and first year's rentals, estimated at US$1,059,000 net (US$2.511 million gross), pursuant to an Exploration and Production Sharing Agreement dated March 12, 2000 among Melut Petroleum, the Government of Sudan, Gulf Petroleum (Sudan) Ltd. and Sudapet Ltd. Any remaining funds will be used for exploration within the Concession.

Fosters is considering adding a partner to reduce its exposure to 53.33 percent from 83.33 percent in Melut. We hope to charge the new party with the bank guarantee in return for their participation in the project, which would free up additional funds for exploration.

RISKS AND UNCERTAINTIES

Fosters' Sudan project offers tremendous potential for shareholders. However the international oil and gas business has numerous inherent business, technical, environmental, political and economic risks and uncertainties, many of which are beyond the control of the Company. Fosters is also exposed to fluctuating oil prices, foreign exchange rates, interest rates and potentially high foreign inflation rates. Substantially all of the Company's future revenues and much of its capital expenditures and operating costs will be denominated in U.S. dollars; however, a portion of our local operating and capital costs and taxes may be incurred in less stable currencies.

The political situation in Sudan is currently being widely debated because of an ongoing civil war in the country. In January 2000, senior foreign-policy makers in Canada and the U.S. considered imposing economic sanctions against Sudan. The U.S., which had previously imposed sanctions opted to renew them, while Canada rejected sanctions. On February 14, 2000 Canadian Foreign Minister Lloyd Axworthy released the report of an independent commission that had probed Talisman Energy's activities in Sudan. We strongly urge shareholders and others to read this report which may be obtained from the Department of Foreign Affairs and International Trade. Mr. Axworthy subsequently announced that the Canadian government would take no action against Talisman. The report does not contain any recommendations regarding the imposition of sanctions with respect to Talisman's operations or Sudan generally.

Fosters supports the Canadian decision to play a more direct role in trying to improve the human rights situation in Sudan and the government's commitment to attempt to bring an end to the ongoing civil war. We have met with individuals in Sudan and various government officials and it is our hope that the majority of the people on all sides in the conflict desire and will work for peace.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF FOSTERS RESOURCES LTD.

We have audited the consolidated balance sheets of Fosters Resources Ltd. as at December 31, 1999 and 1998 and the consolidated statements of loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Thompson & Thompson

CHARTERED ACCOUNTANTS
Calgary, Alberta
March 10, 2000
(Except for Note 9, which is at March 23, 2000)

CONSOLIDATED BALANCE SHEET

December 31, 1999 and 1998

		1999		1998
Assets				
CURRENT				
Cash	$	143,682	$	149,684
Marketable securities		4,500		3,000
Accounts receivable		7,482		243
Deposits		27,903		-
		183,567		152,927
MINERAL PROPERTIES (Note 3)		300,000		599,588
DEFERRED CHARGES (Note 4)		239,457		-
	$	723,024	$	752,515
Liabilities				
CURRENT				
Accounts payable and accrued liabilities	$	56,489	$	4,300
Shareholders' Equity				
CAPITAL STOCK (Note 5)		2,773,103		2,509,718
DEFICIT		(2,106,568)		(1,761,503)
		666,535		748,215
	$	723,024	$	752,515

See accompanying notes to consolidated financial statements

Approved on behalf of the board

Randy Pawliw

Randy Pawliw, Director

Robert P. McBean, Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

December 31, 1999 and 1998

	1999	1998
EXPENSES		
Office and administration	$ 25,701	$ 9,114
Professional	13,415	13,929
Transfer agent, company and listing fees	5,646	5,623
Investor communications	3,859	1,152
Amortization	-	173
LOSS BEFORE OTHER ITEMS	48,621	29,991
OTHER ITEMS		
Write-down of mineral properties	300,213	-
Write-down of marketable securities	4,377	6,600
Interest income	(8,146)	(5,714)
	296,444	886
NET LOSS	345,065	30,877
Deficit, beginning of year	1,761,503	1,730,626
DEFICIT, END OF YEAR	$ 2,106,568	$ 1,761,503
LOSS PER SHARE	$ 0.046	$ 0.005

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 1999 and 1998

	1999	1998
OPERATING ACTIVITIES		
Interest received	$ 8,146	$ 5,714
Cash paid to suppliers	(55,160)	(47,898)
Cash used in operating activities	(47,014)	(42,184)
FINANCING ACTIVITIES		
Issuance of share capital, net of expenses	263,385	-
INVESTING ACTIVITIES		
Deposit on oil acquisition	(27,903)	-
Mining exploration, net of government grants	(625)	(4,783)
Deferred charges	(187,968)	-
Mining expenses recovered	-	5,863
Purchase of marketable securities	(5,877)	-
Cash (used in) provided by investing activities	(222,373)	1,080
DECREASE IN CASH	(6,002)	(41,104)
Cash, beginning of year	149,684	190,788
CASH, END OF YEAR	$ 143,682	$ 149,684

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

1. NATURE OF OPERATIONS

Fosters Resources Ltd. ("the Company") is engaged in the business of mineral exploration and development in Canada, and oil property acquisition and exploration in the Sudan.

The Company is in the process of acquiring and exploring its oil and mineral properties. The ultimate recoverability of the Company's investment in its oil and mineral properties is dependant upon the existence and discovery of economically recoverable oil and mineral reserves, the ability of the Company to obtain necessary financing to complete development of the interests, and upon the ability to attain future profitable production.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a company with continuing operations. Should the Company not be able to meet the objectives described above and have continued operations, certain assets and liability accounts would require adjustment and reclassification.

2. SUMMARY OF ACCOUNTING POLICIES

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, Fosters Resources (Cyprus) Limited.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets such as resource properties (Note 1) and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Cash

Cash includes bank deposits and term deposits with maturities equal to less than ninety days.

d) Marketable Securities

Marketable securities are recorded at the lower of cost and fair market value.

e) Mineral Properties

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit of production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines there is a permanent and significant decline in value, the related costs are charged to operations.

f) Deferred Charges

Costs incurred in the investigation and negotiation of rights to explore for and produce oil and other mineral resources are deferred. In the event such rights are obtained, the costs are capitalized as oil and gas property costs; otherwise, the costs are charged to expenses.

g) **Reclamation Costs**

The Company's activities have primarily focused on exploration directed toward the discovery of mineral resources. When it is determined that a future reclamation cost is likely, and the amount can be reasonably estimated, the costs thereof will be accrued.

h) **Stock Based Compensation**

No compensation expense is recognized in respect of stock options granted under the Corporation's Stock Option Plan described in Note 5. Consideration paid on the exercise of stock options is credited to share capital.

i) **Loss Per Share**

Loss per share is computed on the basis of the weighted average number of shares outstanding during the year. The exercise of stock options is anti-dilutive.

3. MINERAL PROPERTIES

		New Brunswick
Balance, December 31, 1997	$	600,668
Mineral exploration		4,783
Mining expenses recovered		(5,863)
Balance, December 31, 1998		599,588
Mineral exploration		625
Write-down of mineral properties		(300,213)
Balance, December 31, 1999	$	300,000

During the year ended December 31, 1998, the Company entered into an agreement, whereby PGE Resources Ltd. transferred a 100% undivided interest in twenty-five mining claims in the Devil Pike area to the Company ("Fosters Claims") with PGE Resources Ltd. retaining a 100% undivided interest in all remaining claims in the Devil Pike area ("PGE Resources Ltd. Claims"). The Fosters Claims represent the primary area where the Company conducted exploration and are subject to a 1.5% Net Smelter Royalty in favour of PGE Resources Ltd., which the Company has an option to purchase once commercial production is achieved and a right of first refusal in favour of the Company should PGE Resources Ltd. wish to sell the Net Smelter Royalty. The PGE Resources Ltd. claims are subject to a 1.5% Net Smelter Royalty in favour of the Company and have a similar option to purchase, and right of first refusal in favour of PGE Resources Ltd. The properties have been written down during the year ended December 31, 1999, to reflect management's best estimate of the recoverable value of these properties, based on current gold market conditions.

4. OIL PROPERTY ACQUISITION COSTS

As at December, 31, 1999, the Company had entered into a letter of intent to participate, through a joint venture (the "Joint Venture"), in which the Company had a 25% interest in negotiations for a concession to explore, develop and produce oil from the Melut Basin in the Republic of Sudan ("the "EPSA"). All costs incurred in investigating and negotiating this agreement have been deferred. Prior to December 31, 1999, the Company had entered into two separate letter agreements pursuant to which the Company had a conditional right to acquire the interests of two additional participants in the Joint Venture, and thereby increase the Company's interest in the Joint Venture to 50%.

5. CAPITAL STOCK

a) Authorized

Unlimited number of common voting shares

Unlimited number of first preferred voting shares (issuable in series, voting rights to be determined)

Unlimited number of non-voting convertible first preferred shares (issuable in series)

Unlimited number of second preferred shares (issuable in series, voting rights to be determined)

b) Issued

	Common Shares #	Common Shares $
Balance, December 31, 1997 and December 31, 1998	6,342,125	$ 2,509,718
Issued pursuant to a private placement	2,000,000	200,000
Issued on exercise of stock options	270,000	67,500
Issue costs	-	(4,115)
Balance, December 31, 1999	8,612,125	$ 2,773,103

c) All of the 2,000,000 common shares issued pursuant to the private placement were issued to directors for proceeds of $ 200,000.

All of the 270,000 common shares issued on the exercise of stock options were issued to directors, or former directors for proceeds of $ 67,500.

d) Warrants

As at December 31, 1999, 1,000,000 (1998 - nil) warrants were outstanding in connection with the shares issued on the private placement. Each warrant allows the holder to purchase one common share at a price of $ 0.15 per share. The warrants expire June 16, 2001.

e) Outstanding Options

Under the Company's Stock Option Plan, the Company may grant options to purchase common shares up to the maximum number permitted by the CDNX to directors, officers and employees. Options are exercisable at the market price of the shares, less permitted discounts on the grant date, vest according to privileges set at the time the option is granted, and must expire no later than five years from the date of grant.

At December 31, 1999 and 1998, the Company had the following outstanding stock options issued to directors and officers, pursuant to the employee stock option plan:

	1999		1998	
Expiry Date	**Number of Shares**	**Price**	**Number of Shares**	**Price**
July 14, 2000	**50,000**	**$ 0.25**	120,000	$ 0.25
September 3, 2001	**-**	**0.25**	200,000	0.25
June 29, 2004	**564,000**	**0.10**	-	-
November 23, 2004	**800,000**	**0.75**	-	-
	1,414,000		320,000	

During the year ended December 31, 1998, 50,000 of the options outstanding at December 31, 1997 (of which 20,000 were exercisable at $ 0.56, and 30,000 were exercisable at $ 0.50) expired without being exercised and another 30,000 (which were exercisable at $ 0.25) were cancelled at no cost to the Company.

At December 31, 1999, 1,414,000 (1998 - 320,000) options with a weighted average exercise price of $ 0.49 (1998 - $ 0.25) were exercisable.

During the year ended December 31, 1999, 270,000 options were exercised at a price of $ 0.25 per share, for proceeds of $ 67,500.

f) **Shares Reserved**

The Company has 2,100,000 shares reserved for the purchase of an additional interest in the Joint Venture as described in Note 9.

6. RELATED PARTY TRANSACTIONS

a) During the year ended December 31, 1998, the Company was charged $ 3,381 for project management services and third party charges related to the New Brunswick mineral properties by two companies of which a director of the Company is a shareholder and employee.

b) During the year ended December 31, 1999, the Company was charged $ 3,000 for administrative services (1998 - $ 2,300) by a former director and an officer.

c) The Company's short-term deposits and marketable securities are managed by a company, a shareholder of which is a former director and officer of the Company.

7. INCOME TAXES

a) The Company has incurred losses for income tax purposes of approximately $ 253,000, the related benefit of which has not been recognized in the financial statements. Unless sufficient taxable income is earned in future years, these losses will expire as follows:

2000	$	14,000
2001		24,000
2002		32,000
2003		33,000
2004		72,000
2005		34,000
2006		44,000
	$	253,000

b) The Company has available the following approximate amounts which may be deducted at the annual rates indicated in determining taxable income of future years:

		Amount	Rate
Canadian exploration expenses	$	894,000	100%
Canadian development expenses	$	37,000	30%
Foreign exploration and development expenses	$	239,000	10%

8. FINANCIAL INSTRUMENTS

The Company's exposure to financial instruments consists solely of financial assets and liabilities included in the balance sheet.

Their fair values approximate their carrying amount as a result of the short-term nature of the instruments.

9. SUBSEQUENT EVENTS

a) Subsequent to December 31, 1999, the Company entered into a letter agreement pursuant to which the Company had a conditional right to acquire the interest of an additional participant in the Joint Venture (Note 4), and thereby increase the Company's interest in the Joint Venture by an additional 33-1/3%.

On January 6, 2000, the Company became a 25% shareholder of Melut Petroleum Company Ltd. ("Melut Petroleum") which was previously incorporated to participate in the EPSA (Note 4). The participants in the Joint Venture hold shares in Melut Petroleum in proportion to their respective interests in the Joint Venture.

On March 12, 2000, Melut Petroleum entered into the EPSA with the Government of Sudan, Gulf Petroleum (Sudan) Ltd. and Sudapet Ltd.

In March 2000, following the signing of the EPSA, the Company acquired, pursuant to the letter agreements it had previously signed, the interests of three other participants in the Joint Venture, bringing the Company's total interest in the Joint Venture and Melut Petroleum to 83.33%. These acquisitions were made by the issuance of an aggregate of 2,100,000 common shares of the Company, and the repayment of certain costs of the participants to the Joint Venture aggregating $ 86,456.

Under the terms of the EPSA, the Company is committed to their 83.33% of future exploration costs of U.S. $ 31,250,000 over three years; and rentals, signing bonus, scholarship fund, and a social development fund, totalling U.S. $ 1,271,500. The Company is also responsible for their 83.33% of a letter of credit for U.S. $ 4,000,000. In addition, carried interests of 4% of the Joint Venture have been granted to certain key facilitators, 1.5% of which were granted to a director and a former officer and director of the Company.

b) The Company issued an offering memorandum on March 23, 2000 to sell a maximum of 20,000,000 special warrants at a price of $ 0.75 per warrant. These warrants are being offered pursuant to an agency agreement and are estimated to raise net proceeds to the Company, after commissions and offering expenses, of $ 13,900,000 if the maximum amount is achieved. Each warrant will entitle the holder thereof to acquire one common share of the Company on or before the date which is eighteen months from the date of closing of the offering. The exercise price of the purchase warrants will be $ 1.00, if exercised on or prior to February 9, 2001 and $ 1.40 thereafter.

CORPORATE INFORMATION

DIRECTORS

MR. FRED LEWICKI
President
Wilson Auto Electric Limited

MR. ROBERT MCBEAN
Chairman
Boulder Energy International Inc.

MR. JULES POSCENTE
Chairman and Chief Executive Officer
Eurogas Corporation

OFFICERS & DIRECTORS

RANDY PAWLIW
President

LES KISH
Vice-President Exploration

MICKEY ABOUGOUSH
Managing Director
President Teknica Petroleum Services

LEGAL COUNSEL

BLAKE CASSELS & GRAYDON

AUDITORS

THOMPSON & THOMPSON
Chartered Accountants

BANKER

CANADIAN IMPERIAL BANK OF COMMERCE

TRANSFER AGENTS AND REGISTRARS

CIBC MELLON TRUST COMPANY

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